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Financial Management Service  
U.S. Treasury, Room 420  
401 14th Street S. W.  
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Cynthia L. Johnson:

The following are comments and suggestions related to the development of the Electronic Transaction Account:

1. QUES. Should Treasury make available a debit card-based account to individuals who are required to receive payment by EFT?  
ANS. -NO- Treasury should not make a debit card-based account available to individuals required to receive payment by EFT. There are financial Lifeline accounts generally available in all markets. These lifeline accounts provide financial services to income groups that would otherwise be deprived of basic financial services due to costs associated with minimum balance requirements. A modified electronic lifeline account(formerly student accounts) could be designed for the Unbanked. Treasury should update current financial regulations and incentives (Community Reinvestment credits)to mandate creation and availability of electronic lifeline accounts. Setting up a second artificial financial account structure that will in all probability be concentrated at major super regional institutions will not provide financial mainstreaming with a local neighborhood focus.

EFT  
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2. QUES. Should the cost of the account to the recipient be the most important factor for selecting the account structure and/or account provider, or should the account structure be designed to meet other objectives even if the cost to the recipients is increased as a result?

ANS.- The ETA account should be a locally provided lifeline account in two basic flavors with two base monthly fees. Savings-type account with limited electronic access or Checking-type with check and electronic access. Tradeoffs can be based upon recipient selection.

3. QUES.- How many withdrawals should be included in the base price of the account? Should the account terms address the charges imposed by ATM owners other than the account provider?

ANS.- Lifeline type accounts at local financial institutions are already packaged to provide a market basket approach to services. Surcharging will definitely be a problem for a regional ETA, because the recipient would be a non-customer for most ATM transactions and therefore subject to surcharging. A local lifeline account holder would have home-based free access to the institutions ATMs and only subject to surcharging for convenience not basic withdrawal requirements. If an ETA is used, the account terms must disclose the impact of potential surcharging the base monthly cost for the ETA could be doubled or tripled depending upon surcharges.

4. QUES.- Should the account structure provide for additional electronic or nonelectronic deposits within the basic monthly service charge.

ANS.- Deposits to a federally established ETA should be limited to the program agency requirements for payments to the recipient. Local Lifeline account deposit restrictions would be based upon the financial institution product terms.

5. QUES.- Should the account provide for some number of third-party payments, such as payments for rent or utility bills? If so, how many and should they be priced in the basic monthly service charge.

ANS.- Third party payments and statement or notice/advice should be made utilizing POS infrastructure. Third party payments should be part of the monthly fee of the local lifeline account.

6. QUES.- Should the account include a savings feature.

ANS.- The product should be either checking or savings without a statement the combination would be too confusing.

7. QUES.- How important is a broad geographic reach to meeting the access objectives that most recipients will want?

ANS.- I believe geographic reach is critical and that is why I oppose the ETA as currently drafted. This should be a local lifeline account which would provide protection from surcharging, simplify card issuance and replacement and ATM/POS access.

8. QUES.- Should access to the account be provided at outlets in addition to those normally offered by the financial institution providing the account.

ANS. - As stated before, access is critical and if these accounts are only offered by a small number of providers nationwide then access cost will be prohibitive for the recipient.

I have already stated my belief that ETA should be a local lifeline account. If local lifeline accounts aren't chosen as the vehicle for the unbanked, then the following are my suggestions for the ETA features:

- Electronic deposit by sponsoring agency(ies) only
- No Recipient or third party deposits
- No Recipient check writing option
- No monthly statement
- Balance Inquiry 1-800 number
- Customer Service Help Line 7 x 24 coverage
- Regulation E coverage
- No negative balance postings this includes monthly maintenance fees
- Monthly maintenance fee charged in advance after initial activity
- No charge for Denied transactions
- No maintenance fee for a period when there is no electronic deposit activity
- ATM/POS Cash access only with minimum withdrawal amounts
- Account subject to liens and levies with notification
- Minimum number of no cost withdrawals per period
- Interest Bearing account
- No inactive or dormant fees-subject to state abandoned property laws
- No minimum balance
- Account coded zero balance no close

Should the government decide to adopt the ETA approach, there are a series of questions related to overall control of the ETA that merit attention. The additional considerations include the following:

Who controls when the account is opened or closed?

What happens if a person on standard Direct Deposit closes the account or the FI closes the account?

What does the program agency do when a Direct Deposit is returned account closed?

What mechanism will be in place to notify the deposit originator of a required change in payment method?

How quickly can a payment be changed from commercial DD to ETA?

Who is responsible for clerical changes to an ETA? The recipient? The paying Agent?

Address changes

Title changes

Tax I.D. corrections

Method of payment change

What fees in addition to basic maintenance fees will be applied?

if checking, who pays for stop payments and how much?

who performs adjustment processing?

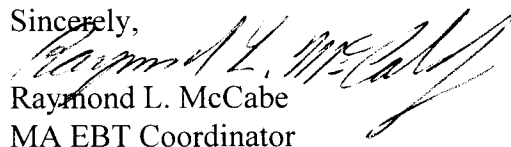
who replaces lost access cards? what is replacement price?

If there is a statement for the ETA, will ACH addenda records be printed in readable text format?

If there is no statement, how will ETA handle addenda record data?

I hope that this analysis is beneficial to the development process. I do, however, hope that Treasury will reconsider its role in providing an ETA and work to develop a commercial product offered at the local level within the existing financial infrastructure. Electronic Benefits Transfer was developed to ride the existing commercial infrastructure in order to develop a delivery system that works better and costs less. ETA will cost the recipient more money and will not work better.

Sincerely,



Raymond L. McCabe  
MA EBT Coordinator